

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

November 18, 2010
MAG Offices, Cholla Room
302 N. 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Councilwoman Peggy Neely, Phoenix, Chair	Mayor Jackie Meck, Buckeye
* Mayor Thomas L. Schoaf, Litchfield Park,	* Mary Peters, Mary Peters Consulting
Vice Chair	Jim Rounds, Elliott D. Pollack & Company
Steven Betts, GPEC	Todd Sanders, Greater Phoenix Chamber of
Dr. Joseph Cavinato, Thunderbird	Commerce
Mark Dreher, East Valley Partnership	Mayor Jay Schlum, Fountain Hills
Thomas Franz, Greater Phoenix Leadership	Jeffrey Simmons, Ryley Carlock &
Mayor Hugh Hallman, Tempe	Applewhite
Jim Kenny, El Dorado Holdings, Inc.	Mayor Scott Smith, Mesa
Mayor Jim Lane, Scottsdale	* Candace Wiest, WESTMARC
Mayor Michael LeVault, Youngtown	Supervisor Mary Rose Wilcox, Maricopa
Mayor John Lewis, Gilbert	County
Mayor Marie Lopez Rogers, Avondale,	Councilwoman Sharon Wolcott, Surprise
John McGee, ADOT	

* Not present

Participated by video or telephone conference call

Others Present (from sign-in sheet):

Eric Anderson, MAG	Shirley Gunther, Avondale
Sherief Ayoub, Emeracon	Clemenc Ligocki, MCDOT
Anubhav Bagley, MAG	Brad Lundahl, Scottsdale
Tom Belshe, League of Arizona Cities & Towns	Karen Peters, Phoenix
Amy Bratt, GPCC	Nathan Pryor, MAG
Michael Celaya, Surprise	Tom Remes, Phoenix
Michael Crusa, Tempe	Mike Sabatini, MCDOT
Cheryl Covert, Buckeye	Tim Strow, MAG
Michelle Gramley, Gilbert	Kelly Taft, MAG
Jenna Goad, Glendale	Paul Ward, Buckeye

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Neely at 12:03 p.m. Chair Neely stated that public comment cards were available for those members of the

public who wish to comment. Transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available from MAG staff for those who parked in the parking garage.

2. Call to the Audience

Chair Neely stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. She stated that there is a three-minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non-action agenda items that are on the agenda for discussion or information only. Chair Neely noted that no public comment cards had been received.

3. Introductions

Chair Neely thanked everyone for attending. The Committee members provided a brief introduction, including their experiences. Chair Neely thanked everyone for the introductions and for being there.

4. Mission of the Economic Development Committee

Chair Neely stated that we struggle with the question, “Where do we go as a community?” She stated that having a group like this come together is definitely regionalism. She noted that we come together without a personal agenda and anything can be put on the table for discussion. Chair Neely did request that we all leave any notion of individualism at the door. She stated that she believes that we can accomplish so much more by working together as a region. We need to begin to think about how we will look at infrastructure. She noted that infrastructure can move the community and it is a big economic engine. Chair Neely referenced the handouts at the table that show over 59,000 foreclosures in Maricopa County and approximately 100,000 construction jobs lost in the last three years. She noted that there is a need to look for economic development opportunities for this region. This region has a lot to offer, including quality of life, affordable housing and living costs and excellent universities. Chair Neely stated that she believes I-11 will be an important part of the discussions because we have to continue to move goods and people. She noted that we need to begin to use the tools that are available to us. She stated that one of the questions and discussions could be: What opportunities would we have as employers if we had rail projects? Chair Neely also commented on the different way of looking at financing today. She noted that we cannot rely on the federal government for money and we need to start looking at other options, including public-private partnerships.

Chair Neely asked Dennis Smith to review the mission statement. Mr. Smith commented on the effort it took to put this committee together and the many opinions regarding this committee. He noted that there was a one hour and 15 minute discussion at the Regional Council on how this committee would be formed. There is a lot of interest regarding this committee. Mr. Smith noted that it was unanimous that most of the elected officials were not interested in another plan or document to sit on a shelf. That is how we developed the mission statement to address “an opportunity-specific and action oriented” plan. Mr. Smith stated that MAG does a lot of infrastructure planning. He noted that what sparked our interest is when our Information Services

Manager, Anubhav Bagley, developed the foreclosure map with over 59,000 pending and foreclosed residential properties. Eric Anderson, MAG Transportation Director, put together the next few slides on the decline of construction employment and Proposition 400 sales tax collections. Mr. Smith noted that Mr. Anderson had some potentially good news regarding a three percent increase in sales tax last month. Mr. Anderson noted that is after 38 straight months of decline in sales tax revenues. Mr. Smith stated that we wanted to get people together to discuss opportunities for moving Arizona forward. He also noted that when the Regional Council approved forming this committee they included a two year sunset clause to be sure that this committee was making a difference. Mr. Smith noted that he has been working for MAG since 1976 and there has never been a committee like this in the region. He noted that if we all support and push on a specific idea or ideas, we can make something happen. This is really a team concept.

Chair Neely stated that it may be that we need to look at state or federal legislation. She referenced a report regarding China's infrastructure planning and how they addressed transportation and economic development. Chair Neely stated that nothing should be left off the table and we are open to discussion on any ideas. She noted that there are opportunities out there. We need to be an active community and committee and look at things that make a difference to this region and the state.

5. Working Collaboratively as a Region to Address Economic Development

Chair Neely suggested that each member of the committee share what ideas they may have to move this region forward. Mayor Lopez Rogers began by stating that the southwest valley cities came together with the business community and the Chamber of Commerce to talk about rail. She stated that she would like to see the Wellton Branch line studied. Mayor Lopez Rogers also stated that she would like to see this region think differently and not continue to build and then bring infrastructure to that development. It is important that we take care of our existing communities before thinking about building new ones. Mr. Smith explained what the Wellton Branch means to this region. He noted that it is the Union Pacific rail line going out to the west that has been decommissioned. This line is critical to the line going to Punta Colonet, and the absence of this line is why Phoenix does not have Amtrak. He noted the Phoenix is the fifth largest city in the United States and does not have Amtrak.

Jeffrey Simmons, transportation attorney for Ryley Carlock, stated that he is most interested in the inland port idea. He stated that he would be interested in learning more about the statutes of Mexico and if there is a future for an inland port without Mexico's Punta Colonet. Mr. Simmons stated that he believes that there will be a need to relieve the LA Long Beach ports in the future when the economy improves. Chair Neely stated that APL, one of the largest shipping businesses in the United States and one of LA Long Beach's top shipping companies, said that LA Long Beach is facing capacity issues. Mr. Simmons stated that having someone like APL as an advocate is huge. He stated that there is a model to learn from and that is Texas and anything that we can learn from them would be helpful. Chair Neely stated that Mexico has not yet sited where the railroad would enter into the United States. She noted that Mexico is looking at Arizona, Texas, California and New Mexico. Mr. Simmons also stated that the timing of this effort and our current

relations with Mexico are not ideal and he hopes this does not get in the way of Mexico's decision.

Councilmember Wolcott stated that she had a number of great discussions at the Western High Speed Rail Conference. It was emphasized how the western states were not on the national map for high speed rail. She stated that in discussions with Texas she noted Punta Colonet and the possibility of the rail crossing coming through Arizona, and Texas operators laughed. She stated that Texas believes this is all wrapped up and the crossing will be in Texas. Councilmember Wolcott stated that she is excited about pursuing the ideas of high speed rail and an inland port.

John McGee, ADOT Executive Director for Planning and Policy, stated that for most of its history, ADOT was primarily a highway agency. ADOT has, over the last two or three years, started taking multi modal transportation much more seriously. He noted that ADOT has done some really good things for this state, and there are other things starting to happen. Mr. McGee stated the BQAZ, a fifty year vision, was one of the best visioning and planning efforts that was ever undertaken in the state. He also stated that in the area of rail, some of the ADOT projects include: the Golden Triangle Evaluation, the passenger rail from Phoenix to Tucson, and the beginning of an overall rail plan. Mr. McGee noted that one challenge in this state is that we do not have a match source at the state level for rail or transit activities. Therefore, he noted that the state had to be creative just to match the few federal dollars we have been able to get. He noted that funding is a problem all over the state and there is a real crisis in transportation funding. Mr. McGee stated that this year there is no money for any major transportation enhancement program anywhere outside of Maricopa and Pima counties. He noted that SAFETEA-LU expired well over a year ago. There is not enough money coming into the federal highway trust fund to even support a program as large as SAFETEA-LU and yet the needs are significantly greater than what they were when SAFETEA-LU was passed. Mr. McGee commented that the State has a lot of challenges and is in a crisis stage regarding funding in Greater Arizona. Chair Neely asked if the State received the funding for the Commuter Rail study between Phoenix and Tucson. Mr. McGee replied that the State did receive a grant for a Commuter Rail study. Mr. Smith added that the State did not get the Wellton Branch funding.

Mayor John Lewis from the Town of Gilbert stated that Gilbert had an Economic Development Summit a few weeks ago for the community. He noted that there is excitement in Gilbert regarding focus on economic development. Mayor Lewis stated that he is excited to be part of this group. He noted that he attended a function yesterday and watched a movie clip that is soon to be released. He noted that the scene was showing leaders in Arizona fifty years ago coming together to discuss the region's needs, which is very similar to what is happening here today. Mayor Lewis stated that history repeats itself. He noted that as leaders we need to get specific as to what the top, most important items are to focus on. Mayor Lewis stated that he has heard clean and renewable energy, aerospace, health care and biosciences mentioned a number of time as a focus for the region. He noted that these are areas that this region already has some advantages, skills and momentum. Chair Neely stated that Arizona is successful in bringing people and businesses to the region, but then we forget about them and aerospace is an example of that. She noted that we need to focus on keeping business here and expanding businesses. Mayor Lewis added that we need to get the ear of the state legislature and have a united voice on issues.

Todd Sanders, President/CEO of the Phoenix Chamber of Commerce, thanked Mayor Lewis for the comments on yesterday's event. He noted that one of the criticisms of the business community at the State Legislature is that the business community is schizophrenic – the hospitals say one thing, the insurance people say another thing and the builders say something else. Mr. Sanders stated that might be well deserved and the business community now understands that we need to work together. He stated that if there is something that affects all Phoenix Chamber members, it is transportation. He stated that he is glad to hear that the focus will be on the Punta Colonet and the rail crossing in Arizona, as well as an inland port. Mr. Sanders noted that it is no secret that the legislature generally disliked light rail. However, he stated that he has heard general excitement over commuter rail even among the conservatives. Mr. Sanders stated that he looks forward to working on those issues.

Mayor Jay Schlum, Town of Fountain Hills, thanked the Chair for spearheading this effort and putting more energy in the region. He stated that he agrees that this committee should be action oriented and committed to working hard to be a positive influence and share the input from Fountain Hills. He noted that the economic downturn has affected this region hard and a recovery is indicative of a lot of factors, but one of which is the diversity of our economy. Mayor Schlum stated that the focus that MAG will bring on infrastructure is something that will help all communities regain vibrancy. He stated that he is excited to be part of this effort and it is critical that we work together as a region.

Mark Dreher, Chair of East Valley Partnership (EVP), stated that it is interesting that there are many groups and people meeting to come together with a unified approach. He noted that the business community has been criticized for not stepping up quick enough or in a unified manner. He stated that we have assets everywhere in the Valley. He noted the importance of looking at long-term plans such as the inland port and the Interstate 11 corridor. Mr. Dreher stated that it is obvious that economic development and transportation are connected. He noted the EVP recently joined Mesa to work on aerospace. He commented that this is an opportunity for us to bring ideas to the table that will have a direct connection to transportation and the future of this region.

Mayor Michael LeVault, Youngtown, stated that this region needs to start focusing on long-term strategies. He noted that we are preoccupied with putting out fires that we lose focus or do not have time for long-term strategies. Mayor LeVault stated that he would like to see this region get back to fundamentals in terms of economic development. He noted that now is the time that we need to make the right choices from a policy standpoint going forward, and if we do not, this region is destined to a bottom tier performance for decades to come. Mayor LeVault stated that an example of this would be a restructuring of the tax system to try and attract businesses to this region. He stated that he does not believe that this region or its economy will ever be back to "business as usual." We need to develop a whole new business model. He noted that we need to get the State on board with these discussions.

Thomas Franz, President & CEO of the Greater Phoenix Leadership, proposed looking at things in a slightly different way. He stated that he spent 27 years at Intel, and if you talk to Intel about siting another factory here in this region, they would not ask about a freeway. They would ask about a second power feed from APS from a different substation. He noted that they would also ask about a water feed and about water reuse and water recycling. Mr. Franz stated that he is not

saying that transportation is not important. He noted that the bigger question is what businesses do we want in this region. If you build a deep water port, you get a certain set of businesses. Mr. Franz stated that infrastructure is a capability that allows businesses to succeed, which then generates wealth and jobs, which then generates tax revenue, which then allows cities, states and regions to function. He stated that it is critical to think about what the region is trying to build and build on. Mr. Franz suggested asking the businesses that are here what they need as far as infrastructure to stay, and what they would need to expand here in this region. He also noted that to a high-tech business like Intel, high speed Internet is the same as a freeway.

Mayor Jim Lane, City of Scottsdale, commented on Mr. Smith's statement regarding the process of forming this committee and how we got here today. He noted that there was considerable discussion on the scope and direction of this committee. There was some concern that we would get outside of the scope of MAG's core business. Mayor Lane stated that we do not want to lose focus. He stated that he sees this committee's critical mission as assessing options, planning for those options and considering funding mechanisms and partnerships. He stated that most often infrastructure leads – if a highway is built, things build up around that highway; if a railroad is built, towns grow. Mayor Lane noted that we will need to get inventive in a lot of ways due to the lack of funding resources available. He noted that we must be sure that whatever idea we move forward with, it works in the marketplace. In addition, he suggested working with the newly formed Arizona Commerce Authority.

Jim Rounds, Vice President and Senior Economist for Elliot Pollack & Company, stated that he has seen a number of economic development reports and the most successful reports include short-term, middle-term, and long-term goals. It is important to have short-term goals so that progress can be identified. He stated that this region will continue to grow, but we need to make certain that it grows well. Mr. Rounds discussed the importance of high-value job creation and identifying between wants and needs. He stated that we need to ask what are the benefits of high speed rail. He noted that we have a window of opportunity of two to three years to do something about economic reform. Mr. Rounds referenced a report that Elliott Pollack did for the state legislature on job recovery. Chair Neely asked if he could get a copy of that report to MAG staff who will make it available to the members. Mr. Rounds agreed.

Supervisor Mary Rose Wilcox, Maricopa County, stated that she would like to echo a lot of what she already heard from the other members. She noted that we need to identify revenues to assist in advancing economic opportunities. Most important, we need to identify a long-term economic development funding stream. Supervisor Wilcox stated that she believes Arizona has become a target because of recent immigration issues. She noted that this region needs to determine what the businesses need or want and we need to focus on job training.

Mayor Jackie Meck, Town of Buckeye, stated that he read the Dr. Weiss report that talks about maximizing assets. He stated that Buckeye is on the west side of the Valley and there are several assets in and around it – Luke Air Force Base that is a \$2 billion asset and Abengoa, a Gila Bend solar facility, is a \$1.4 billion asset. Mayor Meck stated that the Town of Buckeye has Interstate 8 connected to State Route 85 and Interstate 10. He also noted that Buckeye is assisting in working toward an Interstate 11. He noted some other assets in the West Valley are the Palo Verde Nuclear Power Plant and Mesquite Power. Mayor Meck asked how does Buckeye maximize these assets.

He stated that it is difficult in this economy. He stated that we need regionalism. Buckeye needs help from the state, the county and other cities. Mayor Meck stated that one of his major concerns is that there are no relationships with the legislature today. He noted that it will take this collective group to talk with the legislature and make a difference.

Mayor Hugh Hallman, City of Tempe, stated that the mission of this group may be misunderstood by some. He noted that the mission of this committee is for economic development focused on infrastructure, including transportation infrastructure. He stated that the reference to infrastructure is broader than just transportation. Mayor Hallman stated that 20 years ago, leaders talked about Williams Gateway Airport and they thought that it would not come to fruition because of the Central City Airport. He noted that because of brighter leadership, the East Valley worked with Sky Harbor and ended up with a partnership so that Williams Gateway Airport and Sky Harbor could succeed. He suggested that the EDC must first identify what we think can be done to advance the cause in this region and then how will we go about doing that. He identified several ideas mention today, which included: I-11; Punta Colonet; inland port; commuter rail; high speed rail; Amtrak; education; health; green energy and aerospace. He stated that it is very important that we identify what we want to do and create a plan to execute. Mayor Hallman stated that the first iteration of this process started about 30 years ago and it was called the CANAMEX corridor, and then there is the Arizona Mexico Commission. He suggested that this Economic Development Committee consists of an impressive group of people. Mayor Hallman suggested picking a delegation to start communications with the Governor of Sonora. He noted that if we cannot improve Arizona's relationship with Mexico, then maybe we should not be talking about deep water port opportunities. He asked that staff compile a short list of reports to bring the committee up to speed. He also suggested that we focus on what we want to do, choose the ideas that make the most sense for the region and move forward, possibly break up these ideas into groups to be handled. Chair Neely agrees that we need to get things done quickly and keep it moving.

Steve Betts, Greater Phoenix Economic Council board member, stated that what he took away from the Economic Development Summit was the word competitiveness. He noted that we are competing as a region nationally and internationally, and combined with the EDC mission statement, the focus is how we can enhance our competitiveness as a region in terms of our commerce connectivity. Mr. Betts stated that he believes that it is all about transportation of people and goods – planes, trains and automobiles. He noted that he is chairing the I-11 Coalition group, which is a great group of business people who believe in this idea of connecting I-15 to I-10. Mr. Betts stated that the I-11 Coalition has a right-of-way dedication agreement being worked between land owners and ADOT and an environment impact study (EIS) scope being worked on as well. He noted that this committee can be helpful by helping to get the I-11 designated by Congress or by the federal government by an administrative process. Chair Neely stated that if we have a unified voice stating that this is important to the region, it would be helpful in making the designation happen. Mr. Betts stated that the difference between then and now is that 20 or 30 years ago there were federal dollars to help make thing happen, and now there are no federal dollars available. He stated that public private partnerships (P3s) are going to be part of the answer. We need to get creative with funding options to make these ideas work. He also noted that he was on a mission with the Arizona Mexico Commission and met with the Sonora Governor, and Arizona was in the mix at that time.

Mayor Scott Smith, City of Mesa, agreed with Mayor Hallman that we need to figure out what the “what” is, and we cannot do that without State government. He noted that 85 percent of people that live in Arizona live in cities and towns, and approximately 90 percent of the economic activity happens in cities and towns, but there is not a single representative from cities and towns on the Arizona Commerce Authority. He noted that is a naivete of what it takes to create economic development. Mayor Smith stated that when companies come to town, 90 percent of there discussions are with the local jurisdiction. However, the last 10 percent with the State makes or breaks the deal. Local governments cannot do it alone. He agreed that this committee needs to narrow its focus. Mayor Smith stated that we need to develop a joint message on how the region as a whole will benefit from ideas such as the I-11 corridor. He also noted that Arizona needs to become aggressive on how it will bring jobs to the state.

Mayor Hallman stated that Proposition 400 may be the best model for this committee. It was not a report, but something that outlined what was going to be done and a group of people getting it done. Dennis Smith stated that it is the power of businesses and local governments figuring out what they want and then working together to get it.

Dr. Joseph Cavinato, Professor of Supply Chain Management from Thunderbird, stated that he has a background in transportation planning in Washington and believes that transportation is a catalyst and a tremendous economic multiplier. He noted that almost everywhere in the world for every one percent increase in transportation expenditure and investment it creates a two times increase in GDP. Dr. Cavinato noted that China is seeing a five times increase in GDP. China is behaving much like the United State did between 1890 and 1965 – the golden era in the United State where a lot of money was invested in transportation projects. He stated that the United States and China are the only countries in the world that have ever invested in transportation ahead of the demand. Dr. Cavinato stated that in the transportation and economic development world, supply creates its own demand. He noted that most appreciated were the unintended consequences, such as increased business due to being located on the light rail line. He stated that the same thing happen in Salt Lake City and Portland. Dr. Cavinato stated that it is about economic development first and transportation is the means to an end.

Mayor Smith commented on Gateway Airport and noted that the tipping point to the project’s success was the completion of the 202 Loop. He noted that Allegiant said they would come when the 202 was complete. He stated that is an example of the unintended consequences that Dr. Cavinato mentioned.

Jim Kenny from El Dorado Holdings, Inc. stated that El Dorado Holdings and another major land owner in the west valley are in the process of negotiating a right-of-way donation agreement with ADOT that will take care of the private land from I-10 north to Wickenburg and the balance is across the State Land Department. He noted that this is a real opportunity to get this done. He also agrees with Steve Betts that we need to figure out legislatively or constitutionally what we need to do to attract, keep and expand businesses here in this region. Mr. Kenny stated that this committee has a great opportunity with the Arizona Commerce Authority to lend good advice and good recommendations. He noted that transportation is a catalyst and infrastructure is important to job creation, yet transportation and infrastructure are not among the areas of focus the Arizona

Commerce Authority is suppose to have. He stated that this committee can step into that breach and provide information and recommendations to the Authority.

Chair Neely briefly listed those ideas mentioned today: Interstate 11 designation, an inland port and rail. She also heard an emphasis on a united voice regarding these issues and dialogue with the legislature. Chair Neely mentioned the idea of determining what Arizona businesses want though possibly a survey.

6. 2011 Economic Development Committee Meeting Schedule

Chair Neely stated that the next Economic Development Committee is scheduled for December 21, 2010 at 12:00 noon and then the first Tuesday of every month in 2011. She noted that staff will provide a meeting schedule for 2011.

7. Request for Future Agenda Items

Chair Neely asked if there were any requests for future agenda items. There were no requests.

8. Comments from the Committee

Chair Neely asked if there were any comments for the committee members. There were no comments.

Adjournment

There being no further business, the Economic Development Committee meeting was adjourned at 2:05 p.m.

Chair

Secretary